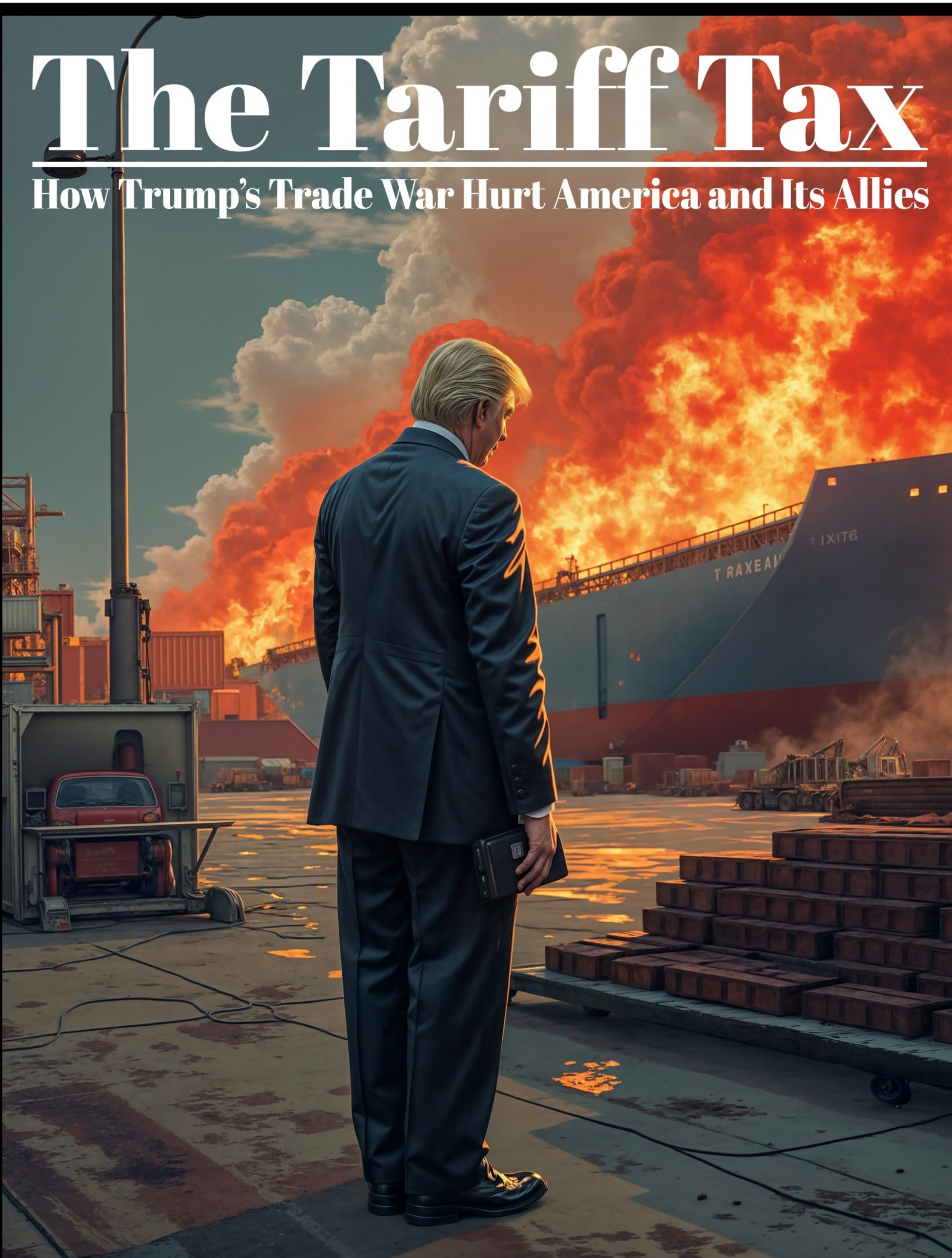
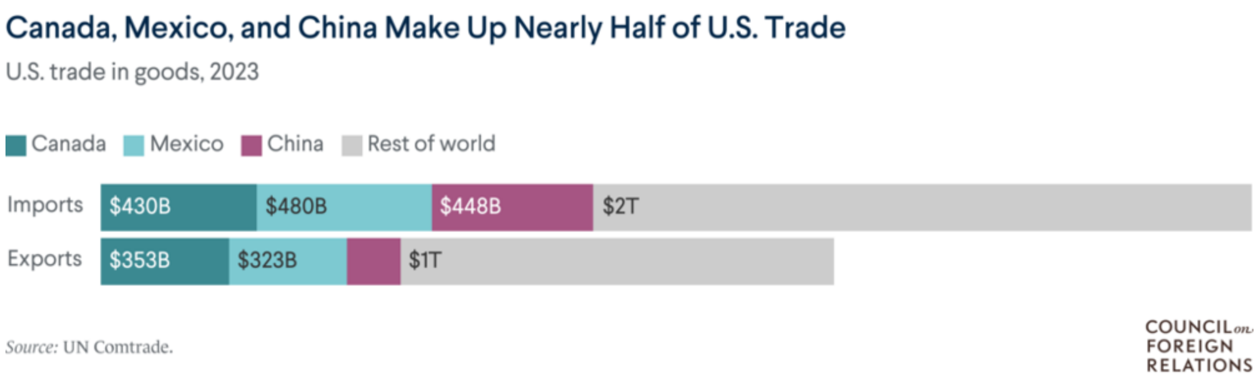
The Tariff Tax

How Trump's Trade War Hurt America and Its Allies



How Trump's Trade War Hurt America and Its Allies

"Canada, Mexico, and China make up nearly half of U.S. trade." President Trump's trade war targeted America's largest trading partners, effectively levying new taxes on a huge swath of imported goods and sparking retaliation against U.S. exports. When Donald Trump launched sweeping tariffs in 2018 — from **25% duties on industrial metals** to **hundreds of billions in tariffs on Chinese products** — he sold them as a way to protect American jobs and shrink trade deficits. "Trade wars are good, and easy to win," he famously tweeted. But nearly **three years of tariff battles** told a very different story: consumers and businesses at home bore the costs, U.S. manufacturers and farmers were collateral damage, and even close allies were economically harmed. "*Tariffs are taxes*," economists often remind us, and Trump's tariffs proved to be exactly that – **a tax paid largely by Americans**, with global ripple effects.



In this Atlantic-style op-ed, we will critically examine the economic fallout of Trump's tariff policies. Drawing on insights from Nobel Prize–winning economists like Paul Krugman, Joseph Stiglitz, and Angus Deaton, we'll explore how these tariffs raised prices for U.S. consumers, undercut American exporters, and strained relations with allies. We'll look at historical lessons (from the 1930s **Smoot-Hawley fiasco** to recent studies) and current data from the 2018–2020 "tariff era" to assess the damage. The picture that emerges is stark: **Trump's trade war amounted to economic self-harm**, burdening the very workers and households it purported to help. And as our closest partners fought back with their own tariffs, the policy left everyone worse off.

Tariffs by Another Name: A Tax on American Consumers

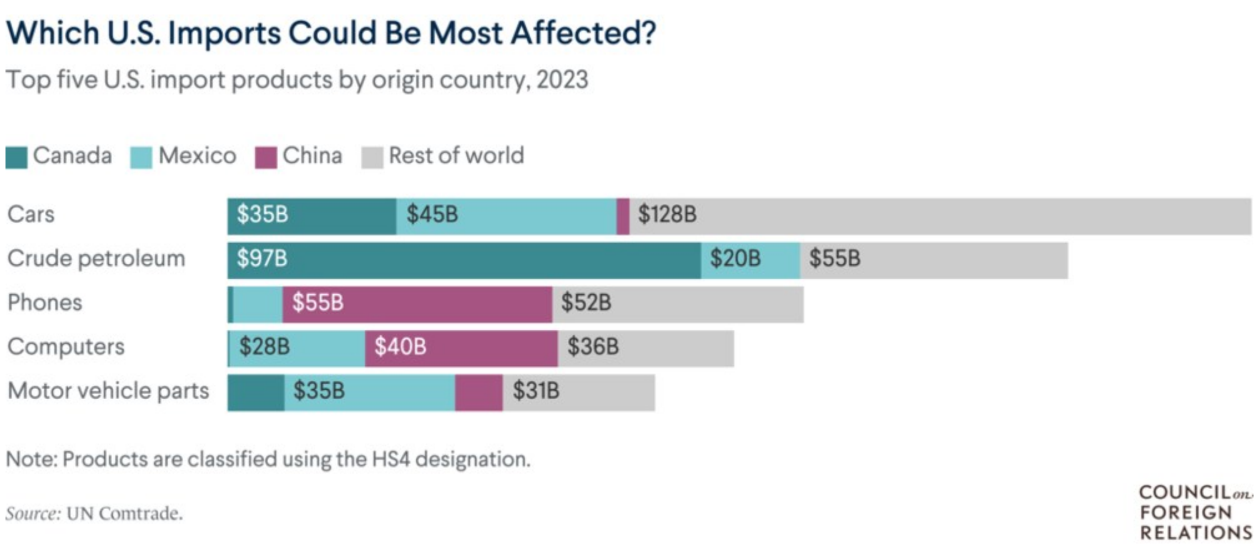
From the moment Trump’s tariffs took effect, economists warned that **American consumers would foot the bill**. “Virtually all economists think that the impact of the tariffs will be very bad for America and for the world,” Nobel laureate **Joseph Stiglitz** cautioned, adding **“They will almost surely be inflationary.”** In plain terms: tariffs raise the cost of imports, and those higher costs get passed on to U.S. households and businesses. Indeed, by definition a tariff is a tax on imported goods, and **importers often have no choice but to charge higher prices** to cover the duty. As early as 2018, shoppers began seeing this “tariff tax” show up in price tags – from pricier electronics and appliances to costlier raw materials for manufacturers.

Nobel economist Paul Krugman was blunt about this reality. Tariffs, he argued, are effectively **“like throwing sand in the gears of international commerce”**, disrupting supply chains and ultimately making products more expensive. And empirical data soon proved these experts right. A prominent 2019 study by researchers from the Federal Reserve, Princeton, and Columbia found that **the full cost of Trump’s tariffs was borne domestically** – U.S. import prices rose one-for-one with the tariffs, with **no meaningful reduction by foreign exporters**. In fact, by the end of 2018, American consumers and companies were **losing about $1.4 billion every month** in aggregate due to higher prices caused by the tariffs. That is money effectively taken out of Americans’ wallets – **a tax in all but name.**

*“Which U.S. Imports Could Be Most Affected?” Top five U.S. import products by origin country (2017). Tariffs on Chinese goods hit consumer electronics especially hard, while tariffs on Canadian and Mexican imports raised costs in autos and

energy.* Look at the everyday products Americans buy, and it’s easy to see how tariffs translated into price hikes. Consider appliances: in 2018, Trump imposed a special **20% tariff on imported washing machines**, ostensibly to help U.S. appliance makers. The result? By 2019, **washing machine prices had jumped about 12%** (roughly $90 extra per washer) – and even **dryers (which weren’t tariffed) rose in price** because retailers sold them in tandem. Two economists at the University of Chicago calculated that consumers shelled out **$1.5 billion in higher appliance prices**, an astounding **$820,000 for each of the 1,800 jobs “saved” or created** in the U.S. washer industry. It was, as one Whirlpool executive admitted, a dubious trade-off: while the washer tariff boosted their sales, other Trump tariffs (on steel and aluminum) **“had driven up manufacturing costs”**, offsetting gains and acting as a “headwind”.

These higher costs weren’t limited to appliances. Tariffs on **steel and aluminum** – 25% and 10% respectively, applied globally – raised input prices for countless American manufacturers, from automakers in Detroit to craft breweries needing aluminum cans. A 2019 analysis by the Tax Foundation found the metal tariffs alone were **adding about $900,000 in extra costs per steelworker job saved** in the U.S. And when Trump expanded tariffs to **$370+ billion in Chinese imports**, the list included consumer favorites like electronics, furniture, clothing, and groceries. Retailers warned that Americans would pay more for **“everything from shoes to smartphones.”** In fact, one **Congressional Budget Office** estimate found that by 2020, the tariffs effectively **reduced average real household income by $580** per year (by raising the prices of goods and reducing economic output).



The inflationary impact became evident at the checkout counter. While overall U.S. inflation remained moderate pre-pandemic, specific categories saw spikes. Shoppers buying a new washer/dryer or a refrigerator in 2018–2019 felt a distinct pinch. Even **grocery bills** went up in subtle ways: higher tariffs on Chinese fertilizers and Mexican produce imports contributed to rising food prices. As Nobel laureate **Angus Deaton** and others noted, these effects hit working-class Americans hardest, behaving like a regressive tax on staples. Little surprise, then, that by 2019 **consumer sentiment had soured** in regions reliant on imported goods, and polls showed Americans increasingly aware that **they** – not foreign countries – were paying the tariffs. "*A lot of people are going to get brutally scammed*" by these policies, **Paul Krugman** warned early on, referring to Trump's blue-collar base that would suffer most from higher living costs.

Retaliation and the Strain on Allies

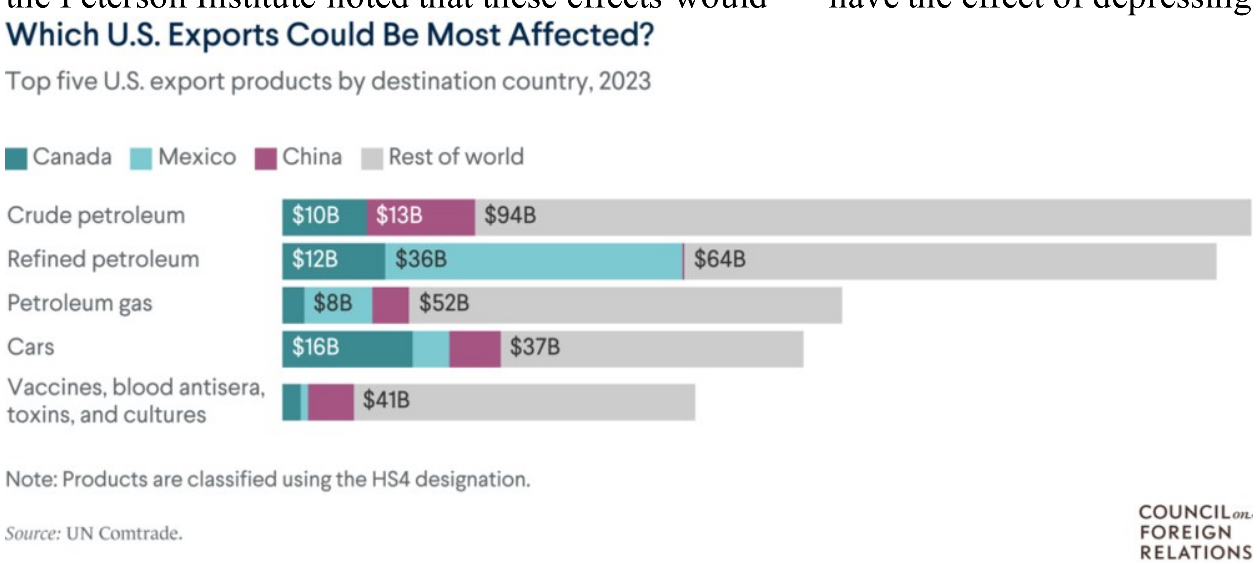
Trump’s tariffs didn’t just tax Americans – they provoked **swift retaliation from abroad**, ensnaring U.S. exporters (and allies) in a painful tit-for-tat cycle. “It’s inconceivable that other countries won’t retaliate,” **Joseph Stiglitz** warned at the outset of the trade war; “their politics will demand that they do something” if America starts “thumping its chest” with tariffs. He was right. Within weeks of Trump’s first tariff salvo, **Canada, Mexico, the European Union, and China all hit back** with targeted counter-tariffs of their own. These moves were designed as economic retaliation *and* political pressure, zeroing in on iconic American exports and on regions crucial to Trump’s support. The result was an escalating trade conflict that strained relations with some of America’s closest friends and hurt industries on both sides.

China, as the primary target of Trump’s trade ire, responded in kind. Beijing imposed tariffs on **$110 billion of U.S. goods**, focusing on agriculture and energy – sectors vital to Trump-friendly heartland states. Most dramatically, China slapped a **25% tariff on U.S. soybeans**, effectively shutting off America’s biggest export market for soy. The impact was immediate: **U.S. soybean exports to China collapsed by 75% in 2018**, as Chinese buyers pivoted to Brazilian suppliers. This was a body blow to Midwest farmers. By 2019, **American farm exports overall had plummeted** – the U.S. sold about **$20 billion less per year in agricultural goods to China** compared to pre-trade-war levels. Piles of unsold soybeans rotted in silos, and farm incomes fell, prompting the Trump administration to authorize an unprecedented **$28 billion bailout** (funded by taxpayers) to placate farmers for their losses. It didn’t go unnoticed that this bailout sum **exceeded the cost of America’s entire annual nuclear defense program** – a stark measure of how much Trump’s “China tariffs” were indirectly costing the public.

U.S. allies were caught in the crossfire as well. Trump’s **steel and aluminum tariffs**, imposed globally in the name of “national security,” enraged Canada and the EU – traditional U.S. partners now treated as economic adversaries. **Canada and Mexico – America’s NAFTA neighbors – retaliated with tariffs on about $15 billion worth of U.S. products**, from Midwestern pork and beef to Kentucky bourbon and Wisconsin cheese. The **European Union** drew up its own retaliatory list targeting quintessential American goods: Harley-Davidson motorcycles (from House Speaker Paul Ryan's Wisconsin), Levi's jeans (California), and bourbon whiskey (Senate leader Mitch McConnell's Kentucky). The message was clear: if Trump taxed their steel and aluminum, they would impose **"payback" tariffs** precisely where U.S. political pain would be felt. This dynamic put enormous strain on relations. Long-time allies began to question America's commitment to free trade and even to mutual agreements. Canadian Prime Minister Justin Trudeau called Trump's tariffs "insulting and unacceptable," and European officials lamented a breakdown of trust.

"Which U.S. Exports Could Be Most Affected?" Top five U.S. export products by destination country. Canada, Mexico, and China are the largest buyers of key American exports like fuel, cars, and agriculture — so their retaliatory tariffs struck directly at these industries.

Economically, the retaliation inflicted real damage on American exporters. **U.S. whiskey makers,** for example, saw European sales dry up after the EU's 25% tariff made their bourbon more expensive overseas (by mid-2019, bourbon exports to the EU dropped 21%). **Midwestern hog farmers** lost lucrative contracts as Mexico slapped tariffs on U.S. pork in response to the steel duties. And when India joined the fray by taxing U.S. almonds and apples, growers in California and Washington state suddenly lost market share. The **non-China retaliation** alone was estimated to cost U.S. industries **several billion dollars in lost exports**. Marcus Noland of the Peterson Institute noted that these effects would **"have the effect of depressing



U.S. economic growth…worse if other countries retaliate in kind.”** And retaliate they did.

Crucially, these trade skirmishes with allies undermined America’s broader economic diplomacy. The **transatlantic rift** over tariffs came at a time when the U.S. and EU might have otherwise presented a united front to address China’s trade practices. Instead, Trump’s approach alienated would-be partners. In 2018, as global markets grew nervous, **stock indexes tumbled worldwide on fears of a spiral of tariff escalation**. The uncertainty prompted warnings from organizations like the IMF about a chilling effect on investment. “*Uncertainty... is killing businesses,*” Paul Krugman observed of Trump’s chaotic trade policy. Even **America’s closest allies felt compelled to push back**, eroding the cooperative spirit that had long defined Western trade relations. For instance, after enduring tariffs and tweets alike, the European Union in 2019 struck a preliminary trade deal with China – a signal that U.S. protectionism was driving others to forge new alliances without us.

Manufacturing Slump and Missed Goals

Perhaps the biggest irony of Trump's trade war is that it **hurt the U.S. manufacturing sector it aimed to help**. Trump came into office pledging a revival of industry – to bring back factories and "Make America Great Again" – and tariffs were his blunt instrument toward that goal. Yet by late 2019, data showed U.S. manufacturing in a downturn. **Production had flatlined and factory sector employment gains stalled**, even before the pandemic hit. In fact, **in December 2019 the American manufacturing sector fell into its deepest slump in over a decade**, a downturn widely attributed to the trade war's impact on costs and uncertainty. The tariffs on imported components made manufacturing more expensive, while foreign retaliation made U.S. exports less competitive – a toxic combination for industrial growth.

Consider the automotive industry. Cars are made of **globally sourced parts** – steel from Canada, electronics from China, etc. Trump's tariffs raised the cost of those inputs significantly. The Ford Motor Company said the metal tariffs alone cost it **$1 billion in profit** in 2018. Nationwide, auto producers warned that tariffs were "trickling down" to consumers in the form of **higher car prices**, potentially **adding up to $3,000 on a typical vehicle**. This hit demand. Meanwhile, when China slapped a retaliatory tariff on U.S.-made autos, American car exports (especially luxury SUVs made in the South for Chinese buyers) took a hit. The **resulting decline in orders and rising costs contributed to layoffs and factory slowdowns**. By autumn 2019, the U.S. Purchasing Managers' Index (PMI) for manufacturing had fallen below 50 – signaling contraction. What was supposed to be a boom turned into a "manufacturing recession." The **Pantheon Macroeconomics** research firm noted gloomily that **the trade war was "hammering both exports and business confidence," and "exports appear set to plunge."** Indeed, U.S. exports of manufactured goods to China fell sharply – by **over 15% in 2019** – as Chinese buyers shifted to European and Japanese suppliers in response to U.S. tariffs.

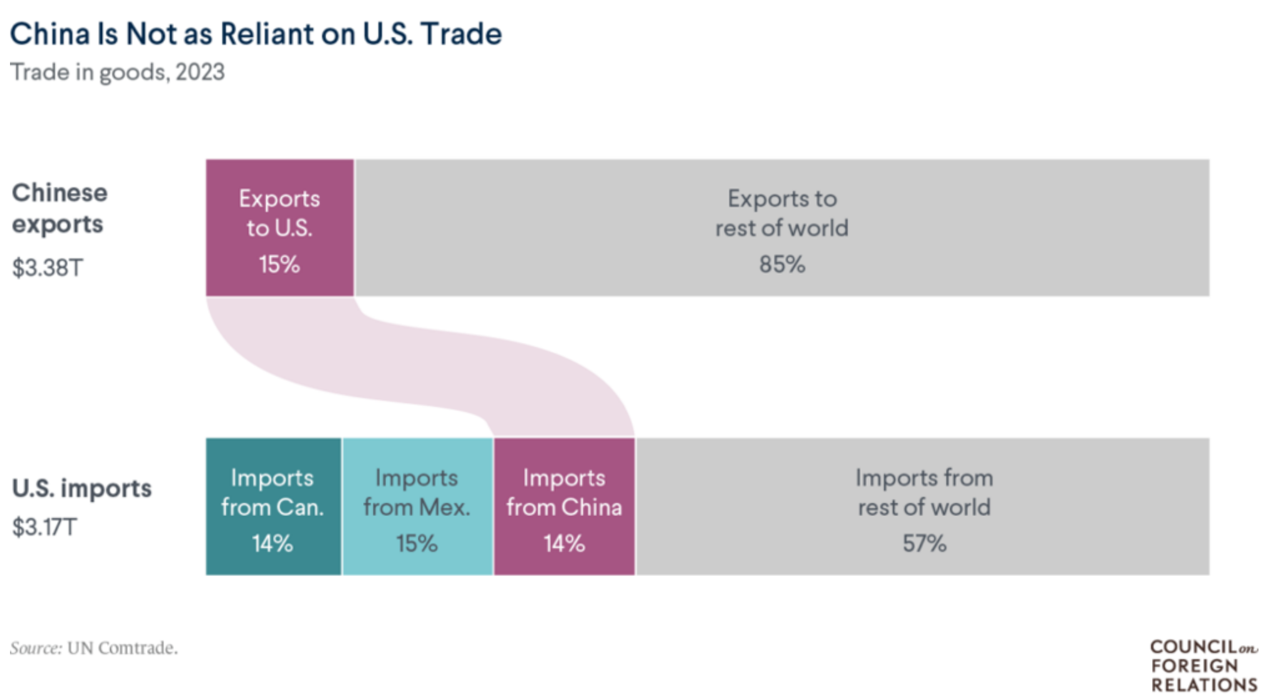
Perhaps nowhere was the unintended damage clearer than in the Midwest. States like Wisconsin, Michigan, Ohio, and Pennsylvania – critical manufacturing hubs – experienced job losses in industries from farm equipment to machinery. A study by the Federal Reserve found that counties more exposed to retaliation (like those exporting agricultural and manufacturing goods to China) saw **significantly slower job growth** than less-exposed counties. By the end of 2019, manufacturing job growth nationwide had nearly ground to zero, after healthy gains in 2018. Even some of the **"winners" of tariffs turned into losers**. U.S. Steel initially cheered the metal tariffs and restarted a couple of blast furnaces – only to idle them again in 2019 when steel-consuming customers cut orders due to higher prices. The U.S. **Rust Belt**, which had voted for Trump's promises of protection, saw factory output in decline and **farm bankruptcies** spike to an eight-year high.

It's instructive to compare what happened versus what was promised. Trump insisted tariffs would shrink the U.S. trade deficit and bring back jobs. In reality, the **overall trade deficit in goods hit a record high of $891 billion in 2018**, and after a dip in 2019 (largely due to reduced trade with China), it remained large. Manufacturers did not flock back to the U.S.; instead, **many companies shifted their sourcing from China to other low-cost countries** like Vietnam or Mexico to avoid tariffs. For example, imports of certain electronics from Vietnam surged as firms rerouted supply chains. So while imports from China fell by about 16% in 2019, imports from the rest of Asia rose, leaving American consumers buying the same goods from different places. There was no renaissance of U.S. manufacturing output. By early 2020, **industrial production was actually slightly lower than two years prior**, and investment in new manufacturing capacity had been chilled by uncertainty. **Nobel economist Joseph Stiglitz** observed that Trump's tariff threats had made the U.S. **"a scary place to invest"**, with companies hesitant to build factories amid unpredictable trade rules. He warned this could lead to "the worst of all possible worlds: a kind of stagflation," where growth stalls but prices rise. That dire prospect seemed less far-fetched as the trade war dragged on.

Long-Term Consequences and Global Trade Realignment

Beyond the immediate pain – higher prices, lost exports, slower growth – Trump's tariffs may have **lasting repercussions for America's global economic standing**. The trade war accelerated shifts in international trade flows and alliances that could disadvantage the U.S. in the long run. One striking outcome is how **China adapted to the new reality** of U.S. tariffs. Rather than bow to Trump's demands, Beijing retaliated and also doubled down on diversifying its trade. By 2020, China reduced certain imports from the U.S. (like soybeans, as noted) and **boosted trade with other partners**. Chinese firms found alternate suppliers for machinery (in Germany, Japan) and expanded export markets in Europe and Africa. As a share of its economy, China became **less dependent on trade with the U.S.** – a strategic decoupling that may endure well beyond the Trump era.

"China Is Not as Reliant on U.S. Trade." By 2023, only 15% of China's exports went to the U.S., while 85% went elsewhere. Meanwhile, U.S. imports have diversified: Canada and Mexico each supply a similar share as China (~14–15% each). This illustrates how global trade patterns shifted during and after the Trump Tariff War.



Indeed, according to the **UN Comtrade data**, by 2023 only **15% of China's exports were destined for the United States**, down from over 20% before the trade war. **Conversely, the U.S. became slightly less central to global trade flows** as other countries struck deals among themselves. For instance, in 2020 the EU signed a major investment agreement with China, and Asia-Pacific nations formed the **RCEP trade bloc** (Regional Comprehensive Economic Partnership) – both largely excluding the U.S. These moves were partly motivated by other countries hedging against U.S. protectionism. Far from isolating China, Trump's tariffs arguably **pushed China and U.S. allies closer together** in some trade respects, while the U.S. sat on the sidelines. As Stiglitz noted, if U.S. policy is seen as capricious, others will "wait out" America and forge their own path.

On the global stage, the trade war contributed to a **slowdown in trade growth**. In 2019, world trade volume growth fell to around 1% (from 3% the year prior) – the WTO even reported a slight contraction in late 2018. While multiple factors drove this (including cyclical economic cooling), the U.S.-China tariff fight was a big culprit. The World Bank estimated the trade war's uncertainty and disruptions knocked **about 0.5 percentage points off global GDP** in 2019. In effect, Trump's tariffs acted as a negative shock to the international system that **left all sides poorer**. A telling chart by the Peterson Institute showed that by early 2020, **U.S. tariffs on Chinese goods averaged over 19% (up from 3% pre-war) and Chinese tariffs on U.S. goods averaged 21% (up from 8%)** – a dramatic escalation that dragged down trade between the world's two largest economies. And while some of those tariffs remain in place even now (a new administration has been reluctant to remove them without concessions), **the promised benefits – like a robust manufacturing revival or a dramatically improved trade balance – never materialized**.

From a historical perspective, Trump's trade war reaffirmed the lesson of Smoot-Hawley in 1930: **protectionism begets retaliation and economic pain**. Back then, over a thousand economists begged President Hoover not to sign the Smoot-Hawley Tariff Act. He did, anyway, triggering foreign retaliation and a collapse in global trade that **"intensified the Great Depression"**. In 2018, a group of prominent economists (including Nobel winners like Stiglitz and Sir Angus Deaton) explicitly cited that episode in an open letter warning Trump not to repeat the mistake. Trump ignored the warnings, and while the fallout wasn't as cataclysmic as the 1930s (thanks in part to a stronger baseline economy and later emergency measures like the Phase One deal), the tariffs clearly **hurt more than they helped**.

As former **Fed Chair Janet Yellen** summed up, tariffs are "taxes on American consumers" and **"not the right way to deal with trade imbalances."** The consensus among economists across the political spectrum – from free-market Milton Friedman to center-left Krugman – is that broad tariffs are an inefficient and blunt instrument. They tend to raise costs and destroy jobs in downstream industries even as they *maybe* save some jobs in protected industries, resulting in net harm. Trump's experiment illustrated this vividly. **For every steelworker whose job might have been safeguarded, many more workers in factories using steel saw higher costs threaten their jobs.** For every farmer who *hoped* for leverage over China, many found themselves **shut out of markets and dependent on government aid**. As Nobel laureate **Paul Krugman** put it, Trump's populist trade promises ended up **"brutally scamming" working-class voters**, leaving them worse off rather than rescued.

Conclusion: An Expensive Lesson in Economics

Trump's tariff war may have been born of a genuine concern – the loss of manufacturing jobs and unfair trade practices – but it proved to be a **costly, self-defeating response**. The tariffs functioned as a regressive tax, driving up prices for Americans. They sparked retaliation that slammed U.S. farmers and factories, all while failing to deliver a manufacturing renaissance or a significantly better trade deal. The **Phase One agreement** signed in January 2020 – touted as a win – saw China *promise* big purchases that never fully materialized (by 2021, China had bought **none of the extra $200 billion** in U.S. exports it had pledged). Meanwhile, most U.S. tariffs stayed in place, and American consumers kept shouldering roughly **$50–70 billion a year in added costs** as a result. Our closest allies were alienated but not cowed; they responded in kind and learned to move on without the once-reliable U.S. free trade leadership.

Emotionally and politically, Trump's trade war was sold as a show of strength – America standing up for itself. But economically, it often resembled **shooting oneself in the foot** and then using a bigger gun when the first shot hurt. **"Really destructive,"** as Krugman said of the tariffs, encapsulates the verdict of history and data. The trade war disrupted the very supply chains U.S. companies rely on, introduced pervasive uncertainty, and eroded America's credibility in the global trading system. It also underscored a fundamental truth: **complex global issues like trade imbalances aren't easily fixed with blunt tariffs**. Instead, they require strategic policy, cooperation with allies, and domestic investment in competitiveness – none of which were meaningfully advanced by tariff tantrums.

In the end, Trump's tariffs were an economic policy failure that left Americans paying more for less. They strained friendships and provided an opening for rivals to seize market share. And in a supreme irony, even the *tariff revenue* the U.S. government collected (tens of billions of dollars) was largely **dissipated in bailouts to injured farmers** – essentially robbing Peter (import consumers) to pay Paul (export producers) for a crisis of the administration's own making. **Nobel laureate Angus Deaton** and his co-signatories put it diplomatically in their 2024 letter: Trump's tariff-heavy agenda **"will hike prices on many goods bought by U.S.

consumers"**, fueling inflation and instability. In plainer terms, the trade war was a **tax and a tantrum that America could ill afford**.

As we move forward, the lesson from this episode should be clear. Economic nationalism via tariffs is a false promise – one that carries heavy costs at home and abroad. The U.S. can and should address unfair trade practices, but doing so effectively means working **with** allies, not against them, and strengthening our economy through innovation and skill – not by erecting walls to commerce. The tariff war of 2018–20 stands as a cautionary tale of how easy it is to unleash destructive forces in the global economy, and how hard it is to contain them. America and its allies are still nursing the wounds from that fight. Let's hope future leaders remember these lessons, so we don't all get "brutally scammed" again by the allure of simplistic trade fixes.

Sources: Economic analyses and data from the Peterson Institute, Tax Foundation, and Federal Reserve; reporting by *Reuters*, *The Guardian*, and *PBS NewsHour*; statements from Nobel economists Paul Krugman, Joseph Stiglitz, Angus Deaton (via Reuters), and historical context from CFR and others. All evidence points to the same conclusion: **Trump's tariffs were an economic own-goal, one that Americans and their allies paid for dearly.**